

1 **SURREBUTTAL TESTIMONY OF RICHARD J. FLORENCE**

2 **ON BEHALF OF AMERITECH WISCONSIN**

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4 **Q. Please state your name and business address.**

5 A. My name is Richard J. Florence, and my business address is 444 Michigan Avenue,
6 Detroit, Michigan 48226.

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8 **Q. Are you the same Richard J. Florence that filed rebuttal testimony in this**
9 **Docket?**

10 A. Yes, I am.

11

12 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

13 A. The purpose of my surrebuttal testimony is to respond to additional cost related
14 allegations made by Mr. Starkey in his rebuttal testimony regarding Ameritech
15 Wisconsin's proposed Facilities Modification (FMOD) policy.

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17 **Q. ON PAGES 3-4 OF HIS REBUTTAL TESTIMONY, MR. STARKEY**
18 **RECOMMENDS THAT THE WISCONSIN COMMISSION RELY ON HIS**
19 **DIRECT TESTIMONY TO DECIDE THAT AMERITECH WISCONSIN**
20 **SHOULD NOT BE ALLOWED TO ASSESS SPECIAL CONSTRUCTION**
21 **CHARGES. HOW DO YOU RESPOND TO MR. STARKEY'S SUGGESTION?**

22 A. Much of Mr. Starkey's direct testimony was devoted to the following allegations:

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- 2 • Ameritech Wisconsin's unbundled loop cost study ought to reflect the use of
- 3 Integrated Digital Loop Carrier (IDLC) rather than Universal or non-Integrated
- 4 Digital Loop Carrier (UDLC)
- 5 • Special construction charges are inconsistent with the FCC's TELRIC
- 6 methodology
- 7 • Costs for providing unbundling loops served by RSUs are already reflected in the
- 8 existing unbundled loop TELRIC based rates
- 9 • The factors used in Ameritech Wisconsin's cost studies already recover expenses
- 10 for special construction situations
- 11 • Use of interim loop conditioning rates set in a Texas proceeding
- 12 • New build portion of the proposed FMOD is an attempt by Ameritech Wisconsin
- 13 to circumvent the Commission's authority on depreciation rates and constitutes a
- 14 rate increase

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16 I responded in detail in my rebuttal testimony to the errors underlying each of these
17 allegations and urge the Commission to disregard Mr. Starkey's 'off hand' comment
18 to rely solely on his testimony when making its decisions in this proceeding.

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20 **Q. On pages 5-6 of his rebuttal testimony, Mr. Starkey alleges that the maintenance**
21 **factor used in the development of Ameritech Wisconsin's unbundled loop**
22 **monthly recurring cost already recovers expenses associated with special**

1 **construction situations. How does this allegation differ from a similar allegation**

2 **he made in his direct testimony?**

3 A. In his direct testimony, Mr. Starkey referred to cost factors in a generic sense and did
4 not 'zero in' on any one specific factor. It seems from his rebuttal testimony he is
5 now arguing that the maintenance factor is the cost factor that indirectly allows
6 Ameritech Wisconsin to account for the expenses associated with special construction
7 situations.

8
9 **Q. On pages 17-19 of your rebuttal testimony you explained why expenses for**
10 **special construction situations are not recovered through the use of cost factors**
11 **in Ameritech Wisconsin's cost studies. Does the explanation you provided apply**
12 **to maintenance factors?**

13 A. Yes, the maintenance factor is just one of the cost factors I was referring to in my
14 explanation.

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16 **Q. On page 5 of his rebuttal testimony, Mr. Starkey argues that Ms. Heritage**
17 **makes no attempt to explain how the rates Ameritech Wisconsin proposes to**
18 **charge in special construction situations are consistent with the FCC rules. Have**
19 **you commented on this matter in your rebuttal testimony?**

20 A. Yes, on pages 14-15 of my rebuttal testimony, I explain why these charges are, in my
21 opinion, consistent with the FCC's rules.

1 **Q. On page 6 of his rebuttal testimony, Mr. Starkey claims that Ameritech**
2 **Wisconsin's monthly recurring rates for unbundled loops recover from CLECs**
3 **expenses associating with constructing, equipping and maintaining a UDLC**
4 **system. Is his statement accurate?**

5 A. Mr. Starkey's statement, without further explanation, is misleading. First, Ameritech
6 Wisconsin's unbundled loop recurring cost study reflects a meld of copper feeder
7 based loops and fiber feeder based loops. For those loops assumed to be served by a
8 fiber based digital loop carrier system, the cost study reflects a UDLC system since
9 individual loops can not be extracted or groomed out of an IDLC system. I discussed
10 this in detail in my rebuttal testimony.

11

12 Second, for those loops assumed to be served via a UDLC system, the unbundled
13 loop cost study includes a pro-rata share of the UDLC central office terminal, remote
14 terminal and plug-in cards, not the cost of the total UDLC system as Mr. Starkey's
15 comment could imply.

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18 **Q. ON PAGE 11 OF HIS REBUTTAL TESTIMONY, MR. STARKEY**
19 **SUGGESTS THAT THE UNBUNDLED LOOP MONTHLY RECURRING**
20 **RATES REFLECT A NETWORK DESIGN THAT IS 'THE LATEST AND**
21 **GREATEST (AND MOST EXPENSIVE) TECHNOLOGY. IS MR.**
22 **STARKEY'S REMARK CORRECT?**

1 A. Mr. Starkey is wrong. The TELRIC methodology requires that the cost study reflect
2 the forward looking *least cost* technology, not the most expensive design or
3 technology as his statement implies. Contrary to Mr. Starkey, Ameritech Wisconsin's
4 cost study follows this least cost technology basic TELRIC rule.

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6 **Q. ON PAGES 12-13 OF HIS REBUTTAL TESTIMONY, MR. STARKEY**
7 **REMARKS THAT IN MANY SITUATIONS, THE SHORT RUN COSTS**
8 **AMERITECH WISCONSIN INCURRS WHEN PROVIDING UNBUNDLED**
9 **LOOPS USING FACILITIES THAT MAY ALREADY EXIST ARE FAR LESS**
10 **THAN THE LONG RUN COSTS REFLECTED IN THE TELRIC STUDIES.**
11 **SHOULD THIS OBSERVATION IN ANY WAY AFFECT THE**
12 **COMMISSION'S DECISION REGARDING ALLOWING AMERITECH**
13 **WISCONSIN TO CHARGE FOR LOOP CONDITIONING?**

14 A. No, not at all. While the example Mr. Starkey uses (all loop facilities exist) would
15 result in short run costs that are less than long run costs, other examples would result
16 in different outcomes. For example, in a case where no facilities exist, the short run
17 and long run costs are similar. In any event, Mr. Starkey is well aware that TELRIC
18 (as well as TSLRIC) based rates reflect long run, not short run costs.

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20 I presume that Mr. Starkey also knows that if a company such as Ameritech
21 Wisconsin priced its wholesale and retail services based on short run costs, it would
22 eventually go out of business. This is because there would be no contribution in its

1 rates to cover the shared, common and other residual costs of the business, let alone
2 the capital costs of the facilities used to provide all of its UNEs or services.
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4 **Q. ON PAGE 14 OF HIS REBUTTAL TESTIMONY, MR. STARKEY ALLEGES**
5 **THAT EXPENSES INCURRED IN THE PAST WHEN PERFORMING LOOP**
6 **CONDITIONING ARE RECOVERED VIA THE MAINTENANCE FACTOR**
7 **USED IN AMERITECH WISCONSIN'S RECURRING UNBUNDLED LOOP**
8 **COST STUDY. IS MR. STARKEY CORRECT?**

9 A. Mr. Starkey is wrong. As I explained in on pages 17-18 in my rebuttal testimony,
10 expenses incurred in the past for loop conditioning are offset dollar for dollar by the
11 special construction revenues in accordance with Part 32 accounting. Consequently,
12 those expenses are not part of the cost data used to develop the maintenance cost
13 factors.
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15 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

16 A. Yes, it does
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